Central Intelligence Agency

Washington, D.C. 20505

D/Pers 84-1423

3 APR 1984

Mr. James C. Frey
Assistant Director for Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Frey:

This memorandum provides our comments on the Office of Personnel Management's (OPM's) draft bill to implement certain proposed changes to the Civil Service Retirement System and to possibly extend these changes by Executive Order, following an appropriate Presidential determination, to the Central Intelligence Agency Retirement and Disability System (CIARDS). The proposed changes include: (1) "High-Five-Year" average salary computation for retirement annuities, (2) increased retirement contributions, (3) elimination of FY 1984 COLA and limited COLA thereafter, (4) elimination of survivor benefits for students between ages 18 and 22, and, (5) elimination of minimum annuity.

We have discussed the retirement legislation issues with the Director, Central Intelligence Agency (CIA). There is concern that OPM's proposed legislation is dealing piecemeal with a very complex and important benefit. We strongly believe that changes in retirement systems deserve to be dealt with in the entirety rather than being limited to the five issues cited above. In fact, we sincerely believe that the present ongoing studies by the Administration and the Congress regarding supplemental retirement coverage should be completed first. Because of the present activity in the Congress and the Administration on the Federal retirement system, the Director, CIA, has asked our Director of Personnel to look at the totality of the retirement issue and to give him appropriate recommendations for his consideration.

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Based upon discussions with the Director, CIA, we would like to provide you with some thoughts on the impact on the CIA of OPM's proposed draft bill. As you probably know, CIA is fully committed and supportive of the President's efforts to revitalize and enhance the effectiveness of foreign intelligence efforts and to improve the quality of the nation's intelligence product. To this end, the CIA's retirement systems must be necessarily oriented to recognize the Agency's unique work environment. In fact, the provisions of retirement programs covering Agency employees have deliberately been woven into the framework of our special personnel management structure. These retirement programs must provide the Agency with the ability to recruit and retain a young vigorous work force to meet the heavy pressures and demands that are placed on a quick-response intelligence organization. Any retirement system changes that would alter this situation may be detrimental toward meeting the goals of revitalizing and enhancing the foreign intelligence effort.

Sincerely,

/s/ Clair E. George
Clair E. George
Director, Office of Legislative Liaison

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OLL 84-1237
27 March 1984

MEMORANDUM FOR: Deputy Director of Personnel for Special Programs

Deputy Director of Personnel for Policy, Analysis, and Evaluations

Chief, Administrative Law Division, Office of General Counsel

STAT

FROM: [redacted]
Legislation Division, Office of Legislative Liaison

SUBJECT: OPM Draft Bill "To amend title 5, U.S.C., to reform the Civil Service Retirement System, and for other purposes."

1. The Office of Management and Budget (OMB) has requested the Agency's views on the Office of Personnel Management's (OPM) draft bill to reform the Civil Service Retirement System by COB 30 March 1984. A copy of OPM's draft bill is attached for your review.

2. The OPM proposal would implement the changes for the Civil Service Retirement System proposed in the President's FY 1985 budget. These changes would include: (1) "High-Five-Year" average salary computation for Civil Service Annuities, (2) increased retirement contributions, (3) elimination of FY 1984 COLA and limited COLA thereafter, (4) elimination of survivor benefits for students between ages 18 and 22, and, (5) elimination of minimum annuity.

3. In the interest of expediency, I propose that we meet on Wednesday or Thursday to draft a response to the OPM draft bill. I would appreciate hearing from you at your earliest convenience to arrange this meeting.

STAT

[redacted]

Attachment:
As stated

STAT

cc: [redacted] LD/OLL

United States
Office of
Personnel Management
Washington, D.C. 20415

In Reply Refer To   Your Reference

MAR 23 1984

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Attention: Assistant Director for
Legislative Reference

Dear Mr. Stockman:

The Office of Personnel Management has prepared the enclosed legislative proposal, "To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes," together with appropriate accompanying documents.

The proposal will accomplish the changes proposed for the Civil Service Retirement System in the President's fiscal year 1985 budget. These changes will bring the Civil Service Retirement System more into line with non-Federal practices and reduce the high cost of the System, while preserving adequate retirement benefits for Federal employees. Major changes include: computing average salary by using the highest earnings over five years rather than three years; increasing employee and employer contributions; changing the timing and method of computing cost-of-living adjustments (COLA's); omitting the COLA for fiscal year 1984; eliminating survivor benefits for students over age 18; eliminating the minimum annuity for future beneficiaries; and excluding newly-hired employees of the government of the District of Columbia from the Federal retirement, life insurance, and health benefits programs.

Generally, these changes will apply automatically, or can be extended by Executive order, to the Foreign Service Retirement System and the Central Intelligence Agency Retirement System. Under 10 U.S.C. 1401a(b), however, changes in the COLA provisions of the Civil Service Retirement law also apply automatically to military retired and retainer pay, which we understand is not intended with respect to all of the COLA changes in this proposal. Therefore, 10 U.S.C. 1401a(b) will also have to be amended if these changes are adopted, so that the military retired pay system will be affected by the COLA amendments only to the extent intended.

Honorable David A. Stockman

We estimate that these proposed changes in Civil Service Retirement will result in the following savings for the unified budget:

Fiscal Year 1985	$1,201 million
Fiscal Year 1986	2,495 million
Fiscal Year 1987	2,774 million
Fiscal Year 1988	3,048 million
Fiscal Year 1989	3,344 million
1985-89 total	$12,862 million

We would appreciate receiving your advice as to whether the submission of this legislative proposal to Congress would be consistent with the Administration's program.

Sincerely,

Donald J. Devine
Director

Enclosures

United States
**Office of
Personnel Management**

Washington, D.C. 20415

If Reply Refer To

Your Reference

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

The Office of Personnel Management submits herewith a legislative proposal, "To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes." This proposal is submitted in accordance with the President's budget for fiscal year 1985, and as part of his program to eliminate unnecessary and wasteful Federal spending. We request that you refer this proposal to the appropriate committee for early consideration.

The major provisions of this legislation are designed primarily to curtail unnecessary and excessive expenditures for benefits under the Civil Service Retirement System and to bring the program more into line with private sector practices.

Under the proposal, the determination of an individual's average pay for the purpose of computing retirement benefits would use the highest earnings over a five-year period, rather than three years as at present. This change would not take effect until October 1, 1987, and would not affect anyone eligible to retire by that date. The rates at which employees and agencies contribute to the Retirement System would be increased by 1 percent in each of the next 2 fiscal years. With respect to most employees, this would mean deductions at an 8 percent rate in fiscal year 1985 and 9 percent in fiscal year 1986 and thereafter. There would be no cost-of-living adjustment (COLA) in annuities in fiscal year 1984. Future adjustments would be effective in December and payable in January of each year. The full adjustment would be applied only to the first $10,000 of annuity (increased in subsequent years by the COLA for the preceding year), with any annuity over that base amount being adjusted by 55 percent of the COLA. Beginning in December 1985, adjustments would be based on the lesser of (1) the General Schedule increase effective in the same fiscal year or (2) the change in the Consumer Price Index (CPI) between the third quarter of the calendar year and the preceding third quarter. The December 1984 adjustment would be based on the CPI change alone. That adjustment would be the last in which non-disability civilian retirees who have not reached age 62 by the effective date would receive one-half of the increase, in accordance with the Reconciliation Act of 1982, but the "floor" on the one-half COLA under that Act would be eliminated for civilian retirees. Survivor benefits for post-secondary students over age 18 would be phased out and the minimum annuity would be eliminated for future beneficiaries.

In addition, employees of the government of the District of Columbia hired on or after October 1, 1984, would be excluded from the Civil Service Retirement System, the Federal Employees' Group Life Insurance Program, and the Federal Employees Health Benefits Program.

We estimate that the proposed changes in Civil Service Retirement would produce the following savings for the unified budget:

Fiscal Year 1985	$1,201 million
Fiscal Year 1986	2,495 million
Fiscal Year 1987	2,774 million
Fiscal Year 1988	3,048 million
Fiscal Year 1989	3,344 million
1985-89 total	$12,862 million

We believe this proposal is particularly significant in that it clearly demonstrates our commitment to eliminating unwarranted expenditures and restoring Federal workers and retirees to a position which is more consistent with that enjoyed by other individuals throughout our economy.

The Office of Management and Budget advises that enactment of this proposal would be in accord with the program of the President.

A similar letter is being sent to the Speaker of the House of Representatives.

Sincerely,

Donald J. Devine
Director

Enclosures

STATEMENT OF PURPOSE AND JUSTIFICATION

To accompany a draft bill

"To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes."

At present, the Civil Service Retirement System has a dynamic normal cost to the Government of approximately 29.5 percent of payroll, which is considerably more than private sector employers generally spend for their employees' retirement benefits. This bill contains several provisions designed to reduce the high cost of the Civil Service Retirement System while preserving an adequate level of retirement income for Federal employees.

"High-Five-Year" Average Salary

Since 1969, Civil Service annuities have been computed based on each employee's highest average annual earnings during 3 consecutive years. Before 1969, a "high-five-year" rather than a "high-three-year" average salary was used. This bill would return to the "high-five-year" salary. This change would not apply to anyone who is eligible to retire on or before October 1, 1987, when the provision would become effective. We estimate that this amendment will reduce outlays by $12 million in fiscal year 1988 and $39 million in fiscal year 1989.

Increase in Employee and Agency Contributions

This provision would raise employees' salary deductions for retirement benefits from the present 7 percent of salary to 8 percent in fiscal year 1985 and 9 percent in fiscal year 1986 and thereafter. There would be a corresponding increase in the contribution rates of special groups, such as firefighters, whose contribution rates are slightly higher than the rate for employees generally. Employer contributions to the Retirement Fund would also increase, matching the increase in contribution rates of employees. We anticipate the following additional income from non-Federal sources as a result of this change:

Fiscal Year 1985	$ 793 million
Fiscal Year 1986	1,685 million
Fiscal Year 1987	1,786 million
Fiscal Year 1988	1,888 million
Fiscal Year 1989	1,992 million
1985-89 total	$8,144 million

Limit on Cost-of-Living Adjustments

Under 5 U.S.C. 8340, an annual cost-of-living adjustment (COLA) is normally effective on March 1 of each year, based on the rise in the Consumer Price Index (CPI) during the preceding calendar year. Public Law 97-253 delayed the COLA to April 1 in 1983, May 1 in 1984, and June 1 in 1985. That law also provided that retirees under age 62, except disability retirees, shall receive COLA's of 3.3 percent in 1983, 3.6 percent in 1984, and 3.3 percent in 1985--one-half of the rise projected for the CPI when the law was enacted--plus any amount by which the actual CPI increase exceeds the projected increase.

This bill would eliminate the fiscal year 1984 COLA. Hereafter, adjustments would be effective on December 1 of each year, beginning in December 1984, and be paid on January 1. The December 1984 adjustment would be based on the change between the CPI for the third quarter of calendar year 1984 and the CPI for the third quarter of calendar year 1983. The full COLA would be payable on the first $10,000 of annuity, with any excess being adjusted by 55 percent of the COLA. In accordance with Public Law 97-253, non-disability retirees under age 62 would receive one-half of the COLA otherwise payable, but the 3.3 percent "floor" under that law would not apply. In subsequent years, in lieu of using the CPI alone, the full COLA amount would be the lesser of the increase in General Schedule pay or the third-quarter-to-third-quarter CPI change. The $10,000 base amount to which the full increase applies would be adjusted, beginning in 1985, by the amount of the previous year's COLA.

These proposed changes are designed to curb the excessive growth in annuities that has resulted from the compounding of COLA's over the years, causing many annuitants to receive retirement benefits that are disproportionate to the compensation of current Federal employees. We estimate that these changes will result in the following savings:

Fiscal Year 1985	$ 403 million
Fiscal Year 1986	794 million
Fiscal Year 1987	960 million
Fiscal Year 1988	1,119 million
Fiscal Year 1989	1,283 million
1985-89 total	$4,559 million

These proposed changes would also apply to certain other retirement systems for Government employees, such as the Foreign Service Retirement System, under which COLA's are linked to Civil Service Retirement COLA's.

Survivor Benefits for Post-secondary School Students

Survivor benefits which are now payable to young adults between ages 18 and 22 who are full-time students in post-secondary schools would be eliminated by the proposal. These changes are prompted by similar changes made to the Social Security program by the Omnibus Budget Reconciliation Act of 1981, which eliminated Social Security survivor benefits for post-secondary students between ages 19 and 22. These changes are designed to eliminate from the retirement program the responsibility for providing post-secondary educational assistance. Current recipients would be permitted to continue under the program until they reach age 22 or leave school, whichever comes first. We estimate that these changes will produce the following savings:

Fiscal Year 1985	$ 5 million
Fiscal Year 1986	16 million
Fiscal Year 1987	28 million
Fiscal Year 1988	29 million
Fiscal Year 1989	30 million
1985-89 total	$108 million

Elimination of Minimum Annuity

Under current law, a minimum annuity equal to the now-eliminated minimum Social Security benefit is paid to any annuitant whose annuity would otherwise be less than that and who is not receiving any other Federal retirement benefit, including Social Security, military retired pay or survivor's benefits, or veterans' compensation, which exceeds the Social Security minimum. With the elimination in 1981 of the minimum Social Security benefit for new recipients, consistency demands that the parallel minimum benefit under the Civil Service Retirement System also be eliminated for annuitants whose annuities commence after enactment. Low annuities under the retirement program reflect brief service, low salaries, or both, and the recipients are not generally dependent solely on Civil Service Retirement benefits for support.

Exclusion of D.C. Government Employees

Currently, employees of the government of the District of Columbia are covered by the Civil Service Retirement System, the Federal Employees' Group Life Insurance Program, and the Federal Employees Health Benefits Program. As a part of the ongoing effort, under the concept of home rule for the District of Columbia, to disentangle Federal and District affairs, individuals hired by the government of the District of Columbia after September 30, 1984, would be excluded from the Federal retirement, life insurance, and health benefits programs.

A BILL

To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Civil Service Retirement Reform Act of 1984".

Sec. 2. Chapter 83 of title 5, United States Code, is amended--

(1) in section 8331--

(A) by repealing paragraph (1)(G);

(B) by repealing paragraph (1)(iv);

(C) in paragraph (4) by striking out "3" both times it appears and inserting in lieu thereof "5";

(D) in paragraph (7) by striking out ", the government of the District of Columbia,"; and

(E) in paragraph (20)--

(i) in subparagraph (B) by inserting "and" after the semicolon at the end thereof;

(ii) in subparagraph (C) by striking out "and" after the semicolon at the end thereof; and

(iii) by repealing subparagraph (D);

(2) in section 8332(b) by repealing paragraph (9);

(3) in section 8334--

(A) in subsection (a)(1) by amending the first sentence to read as follows:

"The employing agency shall deduct and withhold from the basic pay of an employee, a Congressional employee, a Member, a law enforcement officer, a firefighter, a bankruptcy judge, and a judge of the United States Court of Military Appeals, the appropriate percentage specified in subsection (c) of this section."; and

(B) by amending subsection (c) to read as follows:

"(c) Deductions from the basic pay of each employee, Congressional employee, Member, law enforcement officer, firefighter, bankruptcy judge, or judge of the United States Court of Military Appeals shall be made in accordance with the following table. Each individual credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

	"Percentage of basic pay	Service period
"Employee	2 1/2	August 1, 1920, to June 30, 1926.
	3 1/2	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to June 30, 1948.
	6	July 1, 1948, to October 31, 1956.
	6 1/2	November 1, 1956, to December 31, 1969.
	7	January 1, 1970, to September 30, 1984.
	8	October 1, 1984, to September 30, 1985.
	9	After September 30, 1985.
"Member or employee for Congressional employee service	2 1/2	August 1, 1920, to June 30, 1926.
	3 1/2	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to June 30, 1948.
	6	July 1, 1948, to October 31, 1956.
	6 1/2	November 1, 1956, to December 31, 1969.
	7 1/2	January 1, 1970, to September 30, 1984.
[To be determined by Congress]		After September 30, 1984.
"Member for Member service	2 1/2	August 1, 1920, to June 30, 1926.
	3 1/2	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to August 1, 1946.
	6	August 2, 1946, to October 31, 1956.
	7 1/2	November 1, 1956, to December 31, 1969.
	8	January 1, 1970, to September 30, 1984.
[To be determined by Congress]		After September 30, 1984.

"Law enforcement officer for law enforcement service and firefighter for firefighter service	2 1/2	August 1, 1920, to June 30, 1926.
	3 1/2	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to June 30, 1948.
	6	July 1, 1948, to October 31, 1956.
	6 1/2	November 1, 1956, to December 31, 1969.
	7	January 1, 1970, to December 31, 1974.
	7 1/2	January 1, 1975, to September 30, 1984.
	8 1/2	October 1, 1984, to September 30, 1985.
	9 1/2	After September 30, 1985.
"Bankruptcy judge	2 1/2	August 1, 1920, to June 30, 1926.
	3 1/2	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to June 30, 1948.
	6	July 1, 1948, to October 31, 1956.
	6 1/2	November 1, 1956, to December 31, 1969.
	7	January 1, 1970, to September 30, 1984.
	8	October 1, 1984, to September 30, 1985.
	9	After September 30, 1985.";
"Judge of the United States Court of Military Appeals for service as a judge of that court	8	September 23, 1983, to September 30, 1984.
	9	October 1, 1984, to September 30, 1985.
	10	After September 30, 1985.";

(4) by amending section 8340(b) to read as follows:

"(b)(1) Except as provided in paragraph (2) of this subsection and subsections (c) and (g) of this section, effective December 1 of each year, each annuity having a commencing date not later than such December 1 shall be increased by the lesser of--

"(A) the overall average percentage (as set forth in the report transmitted to Congress under section 5305 of this title) of the adjustment in the rates of pay of the General Schedule taking effect in the same fiscal year, adjusted to the nearest 1/10 of 1 percent (or zero, if no such adjustment is taking effect); or

"(B) the percent change in the price index for the calendar quarter ending on September 30 of that calendar year over the price index for the same quarter of the preceding year, adjusted to the nearest 1/10 of 1 percent. For the purposes of this subparagraph, the price index for a calendar quarter is the arithmetic mean of such index for the 3 months comprising such quarter.

"(2)(A) In the case of an annuity payable from the Fund which exceeds the base amount determined under subparagraph (B) of this paragraph, only that portion of the annuity which does not exceed the base amount shall be increased by the percentage determined under paragraph (1) of this subsection, and any portion of the annuity which exceeds the base amount shall be increased by 55 percent of the percentage determined under paragraph (1) of this subsection.

"(B) For the purpose of this paragraph, the base amount shall be--

"(i) in calendar year 1984, $10,000; and

"(ii) in each subsequent calendar year, the base amount for the preceding calendar year, increased by the percentage determined under paragraph (1) of this subsection for the adjustment taking effect on December 1 of such preceding calendar year, and rounded to the next lowest dollar.";

(5) in section 8341--

(A) in subsection (a)(4)--

(i) in subparagraph (A) by inserting after the semicolon "or";

(ii) in subparagraph (B) by striking out "; or" at the end thereof and inserting in lieu thereof a period; and

(iii) by repealing subparagraph (C) and the last two sentences; and

(B) in subsection (e)(2)--

(i) in the first sentence by inserting a period in lieu of the comma after "dies" and striking out the remainder of that sentence;

(ii) in subparagraph (A) by striking out "a student as described or";

(iii) in subparagraph (B) by striking out "unless he is then such a student" and inserting "or" after the semicolon; and

(iv) by striking out subparagraphs (C) and (D) and redesignating subparagraph (E) as subparagraph (C);

(6) in section 8345--

(A) in subsection (b)(2)--

(i) in subparagraph (A) by striking out "and" at the end thereof;

(ii) in subparagraph (B) by inserting "and" after the semicolon; and

(iii) by inserting after subparagraph (B) the following new subparagraph:

"(C) an employee or Member retiring in the first 3 days of any month;"; and

(B) by repealing subsection (f); and

(7) by repealing section 8347(h).

Sec. 3. Chapter 87 of title 5, United States Code, is amended--

(1) by repealing section 8701(a)(5); and

(2) in section 8716(b)--

(A) in paragraph (1) by inserting "or" at the end thereof;

(B) by striking out paragraph (2); and

(C) by redesignating paragraph (3) as paragraph (2).

Sec. 4. Chapter 89 of title 5, United States Code, is amended--

(1) in section 8901--

(A) by repealing paragraph (1)(E); and

(B) in paragraph (2) by striking out "and the government of the District of Columbia"; and

(2) in section 8913(b)--

(A) in paragraph (1) by inserting "or" at the end thereof;

(B) by striking out paragraph (2); and

(C) by redesignating paragraph (3) as paragraph (2).

Sec. 5. (a) Notwithstanding section 301(b)(1) of Public Law 97-253, no cost-of-living adjustment may take effect under the Civil Service Retirement System during the fiscal year ending September 30, 1984.

(b) Notwithstanding section 301(a) of Public Law 97-253, the fiscal year 1985 cost-of-living adjustment under a Government retirement system for civilian employees, in the case of a retired employee or Member who is under 62 years of age on the effective date of such increase (except an individual whose retirement is based on disability), shall be one-half of the increase that would otherwise be provided such retired employee or Member under such retirement system.

Sec. 6. (a) Except as otherwise provided by this section, the amendments made by section 2 of this Act shall take effect on the date of enactment of this Act.

(b) The amendments made by section 2(1)(C) of this Act shall take effect on October 1, 1987, and shall apply only to individuals who first become eligible for immediate retirement under chapter 83 of title 5, United States Code, on or after that date.

(c) Notwithstanding section 8340(b) of title 5, United States Code, as amended by section 2(4) of this Act, the percentage amount determined under paragraph (1) of section 8340(b) for the annuity increase taking effect on December 1, 1984, shall be determined solely on the basis of the percent change determined under subparagraph (B) of that paragraph.

(d) Notwithstanding the amendments made by section 2(5) of this Act, an annuity being paid on the date of enactment of this Act to an individual described in section 8341(a)(4)(C) of this title, as that section existed prior to the enactment of this Act, who was attending post-secondary school on that date, shall be continued without regard to those amendments until the individual reaches age 22 or first ceases to be a student.

(e) Notwithstanding the amendment made by section 2(6)(B) of this Act, no annuity may be reduced below the rate in effect on the date of enactment of this Act by reason of that amendment.

(f)(1) The amendments made by sections 2(1)(A)-(B), 2(1)(D)-(E), 2(2), 2(7), 3, and 4 of this Act shall take effect on October 1, 1984, and shall apply to service performed on or after that date.

(2) Notwithstanding paragraph (1) of this subsection, in the case of any individual who is employed by the government of the District of Columbia on September 30, 1984, and whose employment is subject to subchapter III of chapter 83, chapter 87, or chapter 89 of title 5, United States Code, the provisions of such subchapter or chapters shall continue to apply as if the amendments enumerated in paragraph (1) of this subsection had not been

enacted so long as such individual is continuously employed by the government of the District of Columbia. For the purpose of this paragraph, an individual who leaves such employment with the government of the District of Columbia for 365 consecutive days or less, or an individual who leaves such employment to perform full-time military service (including service in the National Guard or Reserve Forces of the United States) for a period exceeding 365 consecutive days and who exercises reemployment rights under chapter 43 of title 38, United States Code, shall be considered to be continuously employed by the government of the District of Columbia during the break in service, regardless of whether such break in service begins before, on, or after September 30, 1984.

SECTION-BY-SECTION ANALYSIS

To accompany a draft bill

"To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes."

The first section titles the bill as the "Civil Service Retirement Reform Act of 1984."

Section 2 contains the various amendments to chapter 83 of title 5, United States Code, designed to curtail unnecessary and excessive expenditures for Civil Service Retirement benefits and to bring the program closer into line with private sector practices.

Paragraph (1) of section 2 amends section 8331(1)(G), (1)(iv), (7), and (20) to exclude from the Civil Service Retirement System certain individuals who are employed by the District of Columbia government. It also amends section 8331(4) to base average pay (which is used as the base for computing annuities) on the highest earnings during five consecutive years of creditable service rather than three.

Paragraph (2) of section 2 amends section 8332(b) to eliminate retirement credit for certain future service performed for the District of Columbia government.

Paragraph (3) of section 2 amends section 8334 by amending subsection (a) to link employee deductions and employer contributions to the percentages specified in subsection (c), and by amending subsection (c) to increase the percentage rates for employee deductions and employer contributions by 1 percent in each of the next 2 fiscal years. No change is specified by the bill for the deductions or contributions for Members of Congress or Congressional employees.

Paragraph (4) of section 2 amends section 8340(b) to make cost-of-living adjustments effective December 1 of each year, based on the lesser of the average adjustment (including zero, if applicable) in General Schedule pay rates during the same fiscal year, or the change in the Consumer Price Index (CPI) for the third quarter of the calendar year over the CPI for the third quarter of the preceding calendar year. The amendments also provide that the amount of any annuity exceeding a specified base amount shall be increased by only 55 percent of the cost-of-living adjustment otherwise payable. The base amount in 1984 shall be $10,000, which shall be increased in each succeeding year by the percentage of the cost-of-living adjustment taking effect the preceding December.

Paragraph (5) of section 2 amends section 8341 by amending subsections (a) and (e) to eliminate survivor benefits for nondisabled children older than 18.

Paragraph (6) of section 2 amends section 8345 by amending subsection (b)(2) to incorporate in title 5, United States Code, a commencing date provision enacted as a part of Public Law 97-377, and by repealing subsection (f) relating to minimum annuities.

Paragraph (7) of section 2 amends section 8347 to delete subsection (h), consistent with the exclusion of the government of the District of Columbia from the Retirement System.

Section 3 amends sections 8701(a)(5) and 8716(b) of title 5, United States Code, to exclude from the Federal Employees' Group Life Insurance Program certain individuals who are employed by the government of the District of Columbia.

Section 4 amends sections 8901 and 8913(b) of title 5, United States Code, to exclude from the Federal Employees Health Benefits Program certain individuals who are employed by the government of the District of Columbia.

Section 5 provides in subsection (a) that there will be no cost-of-living adjustment in Civil Service annuities in 1984.

Subsection (b) provides that, for nondisability civilian retirees who are under 62 on the effective date of the adjustment, the cost-of-living adjustment taking effect in December 1984 (payable January 1, 1985) shall be one-half of the amount otherwise prescribed.

Section 6 provides in subsection (a) that, except as otherwise provided by that section, the amendments made by section 2 of the Act shall take effect on the date of enactment of the Act.

Subsection (b) provides that the amendments made by section 2(1)(C) of the Act, concerning average pay, will take effect on October 1, 1987, and will apply only to individuals who first become eligible for immediate retirement under chapter 83 of title 5, United States Code, on or after that effective date.

Subsection (c) provides that the cost-of-living adjustments taking effect in December 1984 (payable January 1, 1985) will be based on the increase in the CPI for the third quarter of calendar year 1984 over the CPI for the third quarter of calendar year 1983, rather than on the lesser of this amount or the increase in General Schedule pay.

Subsection (d) provides, notwithstanding the amendments made by section 2(5) of the Act, for the continuation of benefits without regard to those amendments for any post-secondary student receiving benefits on the date of enactment until the student reaches age 22 or first ceases to be a student.

Subsection (e) provides that no annuity may be reduced by reason of the amendment made by section 2(6)(B) of the Act, concerning minimum annuities, below the rate payable on the date of enactment of the Act.

Subsection (f) provides, in paragraph (1), that the amendments made by sections 2(1)(A)-(B), 2(1)(D)-(E), 2(2), 2(7), 3, and 4 of the Act, excluding the government of the District of Columbia from the Civil Service Retirement System, the Federal Employees' Group Life Insurance

(FEGLI) Program, and the Federal Employees Health Benefits (FEHB) Program, shall take effect on October 1, 1984, and shall apply to service performed on or after that date. It also provides that, nowithstanding paragraph (1), an individual who is employed by the government of the District of Columbia on September 30, 1984, and who is covered by Civil Service Retirement, FEGLI, or FEHB, is treated as though the enumerated amendments had not been enacted as long as the individual remains continuously employed. Leaving employment with the government of the District of Columbia for 365 days or less, or leaving to perform full-time military service and exercising reemployment rights under chapter 43 of title 38, United States Code, does not constitute a disruption of the continuous service, irrespective of whether the break begins before, on, or after September 30, 1984.

STAT

TRANSMITTAL SLIP | DATE 4/3/84

TO: [redacted]

ROOM NO. | BUILDING

REMARKS:

DDA said that so long as OP wrote and Nagle approved the memo, it was OK with him. I did not raise 3rd para issue

STAT

FROM: [redacted]

ROOM NO. | BUILDING | EXTENSION

FORM NO. 241 1 FEB 55 REPLACES FORM 36-8 WHICH MAY BE USED. (47)

TO : XXXXXXXXXXXXXXXXXXX ~~DD/OLL~~ D/OLL	DATE OF REQUEST 4/3/84
STAT FROM : [redacted] Legislation Division	SUSPENSE DATE

SUBJECT:

OPM's draft bill to implement certain proposed changes to the Civil Service Retirement System and possibly to CIARDS

NOTES

Attached is a letter to OMB providing comments on the above subject for your signature.

This letter was redrafted and changes appropriately made.

COORDINATED WITH (*list names as well as offices*)

NAME	OFFICE	DATE
STAT DDA [redacted]		

ACTION REQUIRED BY XX D/OLL

Signature on letter

(8-79) 4118

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:
STAT
STAT Deputy Director of Personnel
STAT

EXTENSION

NO.

DATE

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. D/OLL 7D45 Hqs				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				

FORM 610 USE PREVIOUS EDITIONS
1-79